

Message Text

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13/70

ACTION NEA-13

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 ACDA-19 SAJ-01 OMB-01 NIC-01

IO-14 AID-20 EB-11 DRC-01 /185 W

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R 160845Z FEB 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 8232

INFO AMEMBASSY ATHENS

AMEMBASSY ANKARA

AMEMBASSY TEL AVIV

AMEMBASSY LONDON

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C O R R E C T E D C O P Y (TEXT)

E.O. 11652: NA

TAGS: ECON, CY

SUBJECT: GOCYPRUS ATTEMPTS TC MOVE AGAINST INFLATION

1. RECENT WEEKS HAVE SEEN RISING CRESCENDO OF DEMANDS FROM PRESS, POLITICIANS AND ORGANIZED LABOR FOR GOCYPRUS ANTI-INFLATIONARY ACTION. MAIN FOCUS HAS BEEN ALLEGED HOARDING AND PROFITEERING BY MERCHANTS AND IMPORTERS. SOARING PRICES, THE RESULT OF INTERNATIONAL OIL CRISIS AND PRICE RISES OF ESSENTIAL IMPORTED COMMODITIES, HAVE FUELED AN ALREADY INFLATIONARY SITUATION. PRICES ROSE SOME 8 PERCENT IN 1973. RETAIL PRICE INDEX ROSE BY MORE THAN 3 PERCENT IN JANUARY 1974 ALONE, TRIGGERED 6.6 PERCENT AUTOMATIC INCREASE IN THE SALARIES OF CIVIL SERVANTS AND MOST OTHER EMPLOYEES. A 90 PERCENT RISE IN GASOLINE PRICES IN

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JANUARY AND 40 TO 50 PERCENT EXPECTED RISE IN ELECTRICITY CHARGES

ON MARCH 1 WILL DRIVE THE FEBRUARY AND MARCH INDEX UP TO AN INCREASING RATE.

2. GOCYPRUS RESPONDED TO SITUATION BY CONVENING FEB 15 PALACE CONFERENCE ATTENDED BY REPRESENTATIVES ALL SECTORS OF ECONOMY. DEMAND FOR GOCYPRUS ACTION ON PRICES WAS UNIVERSAL. MAKARIOS CONCEDED THAT THERE HAD BEEN PROFITEERING AND ANNOUNCED FORMATION OF ADVISORY COMMITTEE TO CONSIDER GOVT MEASURES TO BE TAKEN. HE INDICATED THAT GOCYPRUS WOULD ESTABLISH SYSTEM OF GOVT-SPONSORED AND CONTROLLED IMPORT, DISTRIBUTION AND SALE OF SUCH BASIC COMMODITIES AS SUGAR, RICE, TIMBER, EDIBLE OILS, AND STRUCTURAL STEELS. THIS IS SECOND ADVISORY COMMITTEE ESTABLISHED IN GOCYPRUS "FIGHT" AGAINST INFLATION.

3. COMMENT: WITH IMPORTS EQUAL TO 45 PERCENT OF GNP, THERE IS REALLY LITTLE CYPRUS CAN DO TO EASE PRESSURE OTHER THAN GRANT DEMANDS FOR WAGE HIKES, AND ATTEMPT TO CUT DOWN MERCHANTS MARK UP (WHICH IS TRADITIONALLY VERY HIGH IN CYPRUS). SOME CONTROL OF LUXURY IMPORTS POSSIBLE, TO CONSERVE FOREIGN EXCHANGE. AIRGRAM FOLLOWS.
GRANT

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NNN

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